

News Release



Controller of the State of California - Kathleen Connell

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FOR IMMEDIATE RELEASE

STATE CONTROLLER KATHLEEN CONNELL SAYS POTENTIAL CASH FLOW SHORTAGE IS FORCING THE STATE TO BORROW \$5.7 BILLION

August 9, 2001, Sacramento – State Controller Kathleen Connell has advised the State Treasurer's Office of the need to issue a Revenue Anticipation Note to cover cash shortages in light of the energy crisis.

"We have spent billions from the General Fund to purchase electricity this year and now we're having to borrow money to make ends meet," said Controller Connell.

The State Controller is required to issue a demand to the Treasurer at any time she determines that the General Fund has or will have insufficient funds for the payment of all appropriations by the Legislature. The RAN would then be issued in a short-term note to investors. The proceeds from the sale would be deposited to the General Fund.

"Our analysis of the State's cash flows shows the current amount needed to meet expected disbursements is \$5.7 billion in short-term borrowed funds," said Connell. "However, if the proposed long-term bond sale of \$12.4 billion is not completed and the General Fund is again tapped to pay for energy, we may need to borrow additional funds."

This short-term borrowing would be separate from and in addition to the energy bond sale the Treasurer's Office has scheduled for November. The Administration has said proceeds from the November bond sale will be used to repay the \$6.2 billion borrowed from General Fund to purchase energy. However, repeated delays in the bond sale have caused concern.

Because of California's economic growth over the last few years, a RAN was not needed last year and was not expected to be necessary during the current year. RANs were previously issued in 1995-1996 (\$2 billion), 1996-1997 (\$3 billion), 1997-1998 (\$3 billion), 1998-1999 (\$1.7 billion) and 1999-2000 (\$1 billion). A \$5 billion RAN was issued in 1992-1993.

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